



NEBRASKA E-FILE UPDATES FOR TAX YEAR 2011

This document summarizes changes for tax year 2011 to the Department's individual income tax e-file programs. The Department offers two basic e-file options to individuals and tax preparers, Federal/State e-file and NebFile. Changes to program capabilities and features are discussed below.

Changes to Federal/State E-file

The Federal/State e-file program gives you an easy way to prepare and file both federal and state tax returns. You or your tax preparer must use a commercial, for-profit computer software that is approved by both the IRS and the Nebraska to prepare their respective returns. The federal and state returns are first sent to the IRS, and when the federal return is accepted by the IRS, the IRS provides the Nebraska return to the Department. Some software allows for filing your state return without the federal.

- ⌚ **Modernized e-File (MeF) vs. Legacy E-file.** The IRS is in year three of a three year conversion of their e-file program from the old e-file program (in operation since the late 1980's) to what is called Modernized e-File. The old program is commonly referred to as the "Legacy" program. MeF offers several improvements over the Legacy program, including the ability to support a much larger number of Nebraska tax forms. The IRS plans to permanently close the Legacy e-file program in October, 2012.
- ⌚ **MeF to Support Delinquent Returns in 2012.** Another benefit of MeF is that this program will support e-file for delinquent returns. Beginning this year (processing year 2012), we will accept both tax year 2010 and 2011 individual income tax returns in MeF. Beginning next year (processing year 2013), we will accept tax years 2010, 2011 and 2012, as well as current tax year amended returns. In years following, the ability to file current year and two delinquent year returns will be supported.
- ⌚ **1040N Line 15 Tax Calculation.** Beginning with tax year 2011, all software companies are required to use the Tax Calculation Schedule to calculate Nebraska tax. Software companies cannot use the bracket amounts shown on the Nebraska tax table to calculate tax. This change ensures that taxpayers who e-file are consistently given the most accurate tax calculations available, regardless of what software they use. This requirement applies to both legacy and MeF software products.
- ⌚ **Form 2441N Required for Refundable Child Care Credit.** Beginning this year, for refundable child care credit claims, we are no longer allowing the federal 2441 to be e-filed in lieu of our 2441N in the MeF program. Because of differences on these forms, the Nebraska credit cannot be computed using only the federal form. If there is a federal credit on the federal return that requires a Form 2441, we still expect to see this federal form in our copy of the federal return. However, if there is a refundable Nebraska credit claimed, the Nebraska Form 2441N must be e-filed with the Nebraska return.

- ⌚ **Replacing Form 14N with Form K-1N.** MeF will support the replacement of Form 14N with Form K-1N for filers who file tax year 2011 returns. Form 14N will still be supported for delinquent filers who are filing a tax year 2010 return. (These forms are not used by most Nebraska taxpayers. They are only used by nonresident partners, shareholders, or beneficiaries of a Nebraska partnership, s-corporation for fiduciary entity.)

Changes to NebFile

The NebFile system allows Nebraska resident taxpayers to file their state income tax return over the Internet. There is no charge for using NebFile. Eligibility requirements and system capabilities limit the types of returns that NebFile can prepare and file, however, it is intended for filers who are who have very basic returns. NebFile is not tax preparation software, but it will do simple calculations and table look-ups. The NebFile system allows the filer to file a Form 1040N and Schedule I, with some limitations. There are not many planned changes for NebFile for tax year 2011.

- ⌚ **Pre-filling Taxpayer Data.** One feature that is being added is the ability for a returning user to have withholding and child care provider information brought forward from their prior year NebFile return. This eases the burden on the taxpayer to re-enter this information. If the data is no longer valid, the user can delete the form and start a new one.
- ⌚ **Non-refundable Child Care Credit.** An enhancement to the calculation for the non-refundable child and dependent care credit has been implemented. This year, the NebFile system will replicate the calculations on the federal 2441 to ensure that the exact credit amount is allowed.